
A BILL FOR AN ACT

RELATING TO INSURANCE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that residents and
2 businesses in the Puna district on the island of Hawaii have
3 been severely impacted by the June 27, 2014, Puu Oo lava flow.
4 Part of the impact is due to the imposition of a moratorium on
5 the sale of new insurance policies in certain areas in the Puna
6 district.

7 Accordingly, the purpose of this Act is to allow some
8 homeowners who have had continuous insurance in lava zone areas
9 that the mayor of the county of Hawaii has declared to be in a
10 state of emergency to:

- 11 (1) Have those insurance policies renewed;
- 12 (2) Provide for continued insurance coverage for
13 homeowners who wish to sell their homes;
- 14 (3) Provide the opportunity for insurance coverage for new
15 buyers of an insured property; and
- 16 (4) Allow a homeowner who had no prior insurance to
17 purchase insurance coverage with the effective date of



1 the coverage to be within six months from the date of
2 acceptance.

3 The legislature notes that upon this Act's enactment, the
4 Hawaii Property Insurance Association will lift its moratorium.

5 SECTION 2. Chapter 431, Hawaii Revised Statutes, is
6 amended by adding two new sections to article 10E to be
7 appropriately designated and to read as follows:

8 **"§431:10E- Lava zones defined.** As used in this article,
9 "lava zone" means a volcanic hazard zone identified by the
10 United States Geological Survey on the island of Hawaii.

11 **§431:10E- Provisions for properties in lava zones;**
12 **county of Hawaii.** (a) Where the mayor of the county of Hawaii
13 has issued a proclamation declaring the existence of a state of
14 emergency due to the threat of imminent disaster from a lava
15 flow in a lava zone, the total number (rounded to the nearest
16 whole number) of property insurance policies that an insurer may
17 refuse to renew in a lava zone shall be limited for each
18 calendar year to five per cent of the total number of covered
19 policies of the insurer in force in that lava zone.

20 (b) Notwithstanding subsection (a), an insurer may cancel
21 or refuse to renew a property insurance policy where:



(1) Premium payments for the policy are not made after reasonable demand therefor; or

(2) The commissioner determines the financial soundness of the insurer would be impaired."

SECTION 3. Chapter 431, Hawaii Revised Statutes, is amended by adding a new section to article 21 to be appropriately designated and to read as follows:

"§431:21- Issuance of new policies; renewal of moratorium. If residential property insurance is unavailable due to a moratorium on the issuance of policies on property situated in lava zones where the mayor of the county of Hawaii has issued a proclamation declaring a state of emergency exists due to the threat of imminent disaster from a lava flow, the association shall remove its moratorium. Upon the moratorium's removal, the association shall issue new policies and may provide a waiting period of no longer than six months for the policy coverage to take effect; provided that the residential property had no prior insurance."

SECTION 4. New statutory material is underscored.

SECTION 5. This Act shall take effect upon its approval.



Report Title:

Property Insurance; Hawaii Property Insurance Association;
Policies; Non-renewal; Lava Zone; State of Emergency; Moratorium

Description:

Specifies the total number of property insurance policies that an insurer may refuse to renew in a lava zone during a state of emergency due to lava flow in that lava zone, with specific exceptions. Specifies that if residential property insurance is unavailable due to a moratorium on insurance policies in a lava zone during a state of emergency due to lava flow, the Hawaii property insurance association shall remove its moratorium; permits the Hawaii property insurance association to issue new policies and provide a maximum waiting period of six months for the policy coverage to take effect after the moratorium is removed. (SD2)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.





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TO THE HOUSE COMMITTEE ON PUBLIC SAFETY

TWENTY-EIGHTH LEGISLATURE
Regular Session of 2015

Thursday, March 19, 2015
10:05 a.m.

TESTIMONY ON SENATE BILL NO. 589, S.D. 2 – RELATING TO INSURANCE.

TO THE HONORABLE GREGG TAKAYAMA, CHAIR, AND MEMBERS OF THE
COMMITTEE:

My name is Gordon Ito, State Insurance Commissioner, testifying on behalf of the Department of Commerce and Consumer Affairs (“Department”). The Department supports this bill and provides the following comments.

This bill is similar to H.B. 737, H.D. 2 which was passed by the House. The purpose of this bill is to require the renewal of property insurance in areas of Puna where a state of emergency has been declared due to a lava flow threat and the lifting of the moratorium on the issuance of new policies in these lava zones. This bill also continues to permit insurers to non-renew for nonpayment of premium by a policyholder and limits annual nonrenewal to five percent of the total number of covered policies of the insurer in force in the lava zones. Once this bill is enacted, the Hawaii Property Insurance Association will lift the moratorium on the issuance of new policies in Puna.

The Department notes S.D. 2 replaces “non-renew” on page 2, line 17 of S.D. 1 with “refuse to renew” on page 2, line 17 of the current draft. This is the only change between both drafts. The Department respectfully requests the language remain “non-renew” and also proposes the following changes to S.D. 2:

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Page 2, line 8 should read "Lava zone defined" instead of "Lava zones defined."

Page 2, lines 11-12 should read "Provisions for properties in lava zones in the County of Hawaii" instead of "Provisions for properties in lava zones; county of Hawaii."

Page 3, lines 8-9 should read "Issuance of new policies; removal of moratorium" instead of "Issuance of new policies; renewal of moratorium."

We thank the Committee for the opportunity to present testimony on this matter and ask for your favorable consideration.



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Alison H. Ueoka
Executive Director

TESTIMONY OF ALISON UEOKA

COMMITTEE ON PUBLIC SAFETY
Representative Gregg Takayama, Chair
Representative Kyle T. Yamashita, Vice Chair

Thursday, March 19, 2015
10:05 a.m.

SB 589, SD2

Chair Takayama, Vice Chair Yamashita, and members of the Committee, my name is Alison Ueoka, Executive Director of the Hawaii Insurers Council. Hawaii Insurers Council is a non-profit trade association of property and casualty insurance companies licensed to do business in Hawaii. Member companies underwrite approximately thirty-six percent of all property and casualty insurance premiums in the state.

Hawaii Insurers Council supports this measure. SB 589, SD2 represents a measure drafted with the cooperation of the Insurance Commissioner and us to specifically address residents of Puna who are adversely affected by the lava flow, who were previously insured and were unable to sell their homes due to the prospective buyer being unable to secure homeowners insurance. We believe that this measure will provide that needed coverage by lifting the moratorium of HPIA and allowing them to write the coverage if the risk was previously insured.

We ask for your favorable consideration of this measure. Thank you for the opportunity to testify.